

Financial Status Report

Prepared by the Finance Department



March 31, 2015

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through March 31, 2015. It compares revenues and expenditures for the first nine months of Fiscal Year 2014-15 and Fiscal Year 2013-14. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

San Diego County Economic Indicators

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County have not been updated since December 2014. The Center has experienced problems with their ability to obtain relevant data in which to provide the report. Once the Leading Economic Indicators for San Diego County have been updated, we will present them again in this report.

General Fund Revenues



Property Taxes (\$33.2 million) – In December, the city began to see a much larger flow of property tax revenues. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 8.4 percent for Fiscal Year 2014-15. This is the second year in a row that Carlsbad's assessed values have increased from year to year, and the second highest percentage increase of any city in San Diego County for the year.

This reflects continued improvement in the housing market and new construction. The increase in this year's assessed values was due to an increase in residential and commercial properties; industrial property values actually decreased for the year.

The primary reasons that property taxes for the first nine months of the fiscal year have increased are:

- Current taxes are up by \$2.316 million, or 8.4 percent, due to an increase in assessed values.
- Aircraft taxes are up by \$267,000, or 18 percent, due to timing differences.
- Supplemental taxes are up by \$19,000 due to an increase in property resales whereby the sales price of the property exceeded the previous assessed value (a sign of a recovering housing/commercial market).
- Payments for previous years' taxes are up by \$5,000 due to an increase in collections on past due tax bills.
- Unitary taxes are down by \$30,000 due to a change in the categorization of qualified electric parcels (now in the county pool versus the city) as well as a change in the allocation formula from the county pool.
- Property taxes received from the former village redevelopment area are down by \$16,000 due to higher former redevelopment agency related eligible expenses reducing the excess funds that are distributed to area agencies (city, school districts, CMWD, etc.).



Sales Taxes (\$22.9 million) – For the first nine months of the fiscal year, sales tax revenues are \$1.205 million (6 percent) higher than the same time period in the previous fiscal year. The major drivers in this increase in revenues are:

- A 9.1 percent increase in sales tax revenues during the second calendar quarter of 2014.
- A 13.7 percent increase in sales tax revenues during the third calendar quarter of 2014.
- A 1.6 percent increase in sales tax revenues during the fourth calendar quarter of 2014.

- The State Board of Equalization (SBOE) applying a positive 5.3 percent growth factor to the monthly advances for the first calendar quarter of 2015.
- A 7.4 percent growth in Prop 172 (public safety) sales tax revenues.
- A 6.3 percent growth in the semi-annual “Triple Flip” payment.
- These increases were partially offset by an overpayment received by the city that the SBOE will be subtracting from a future payment (the city has set these funds aside and not recognized them as revenue).

For sales occurring in the fourth calendar quarter of 2014 (the most recent data available), key gains could be seen in new auto sales, building materials – wholesale, restaurants and food markets. During the same period, key declines could be seen in chemical products, service stations, apparel stores, department stores and recreation products. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 7.3 percent for sales occurring in the 12 months ended December 31, 2014 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 66 percent of the city’s sales tax revenues.



Transient Occupancy Tax (\$14.4 million) – Transient Occupancy Taxes (TOT) for the first nine months of the fiscal year reflect an increase of \$1.7 million, 13 percent more than the previous year. The city’s four largest hotels accounted for 43 percent of the increase. Higher occupancy and room rates throughout most of the city’s other hotels also contributed to the variance. Additionally, a 120-room property was closed for renovations for a portion of last fiscal year, and reopened in September 2013. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of February 2015.

Currently, there are 4,061 hotel rooms and 1,064 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent 12 months has been 70 percent, 5 percentage points above last year’s average.



Business License Tax (\$2.8 million) – Business license revenues are up \$145,000 compared to the same time period in Fiscal Year 2013-14. This is due to an increase in renewal license revenue, indicating an increase in some companies’ business volumes. These increases helped to offset revenue lost by one of the city’s larger businesses relocating to Arizona.

There are currently 9,492 licensed businesses operating within the city, 228 more than the prior year. The majority of taxed businesses (6,439 businesses) are located in Carlsbad, with 2,442 of these businesses home-based.



Interdepartmental Charges (\$2.8 million) – Interdepartmental charges are \$38,000, or 1 percent higher than last year. These charges are generated through engineering services charged to capital projects (up 9.5 percent, or \$46,000, due to an increase in staff time being charged to capital projects), reimbursed work from other funds (down \$8,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (flat). The city’s cost allocation plan is updated on a bi-annual basis and will be completed during the current fiscal year. This will impact miscellaneous interdepartmental charges in Fiscal Year 2015-16.



Development Related Revenues (\$2.7 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a moderate increase for the first nine months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan

check fees are one of the first fees paid during the initial stages of development. Some of the activity in March included the new La Costa Valley middle school, the Daybreak Community Church, and residential development at Quarry Creek and the Beach Walk at Madison.

Another source of development related revenue is building permits, which are up 11 percent compared to last fiscal year. The increase in building permit revenue is derived from the combination of a decrease in the valuation of new construction combined with an increase in residential activity, netted with a decrease in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is just under \$137.5 million, while it was just under \$135.3 million in the previous fiscal year, a 1.6 percent increase. The pace of construction spiked during the month of March as builders pulled permits for 40 homes. In the northeast quadrant, contractors will build six single-family homes as part of the Palo Verde project in Robertson Ranch. In the northwest quadrant, Lennar Homes will construct ten single-family homes and three second-dwelling units as part of the Casero project. City Ventures will construct four single-family homes and one second-dwelling unit as part of the Carlsbad 17 project. Taylor Morrison pulled permits for eight air space townhomes along State Street. In the southeast quadrant, building permits were issued for four single-family homes as part of "Arterro" neighborhood in La Costa Town Square. In addition, Taylor Morrison will construct four single-family homes in the "Montecina" neighborhood in La Costa Residential. For the current fiscal year, 215 residential permits have been issued, as compared to 112 permits issued during the same period last year.

The pace of non-residential construction also spiked during the month of March with builders pulling permits for 113,354 square feet for new commercial and industrial space. In the northwest quadrant, Florexpco is adding 31,874 of new office space, mezzanine, and a floral cooler. In the southeast quadrant, a building permit was issued for a Chevron gas station in La Costa Town Square. Lastly, in the northeast quadrant, a permit was issued for 78,530 square feet for office and warehouse use. Year-to-date, there has been 174,552 square feet of commercial/industrial permits issued, as compared to 590,885 square feet of commercial/industrial permits issued during the same period last year.



Income from Investments and Property (\$2.6 million) – For the year, income from investments and property is up \$524,000 compared to the previous fiscal year.

Interest income is up \$142,000 for the year, due to the net effect of a 16 percent increase in the average daily cash balance combined with a 3.9 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.035 percent last fiscal year to 1.075 percent in the current fiscal year).

Income from property rentals is up by \$382,000 for the year, primarily due to an increase in recreation site facility rentals (the various park sites as well as Monroe Pool and Senior Center) and cell site leases. Another major factor in the increase in facility rentals is the recent opening of Alga Norte Community Park, which has a large aquatic center available for rent (pool lanes, facilities and park space). The city also sold three small parcels in Quarry Creek to the developer of that project.



Franchise Taxes (\$2.4 million) – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are up \$121,000 over the same period last year. Cable television franchise revenues (Time Warner and AT&T) are up by \$68,000. In the prior fiscal year, AT&T made a correction for overpayments made in previous quarters, a major factor in this year's increase. An

increase in trash collection revenue from the combination of an average 5 percent rate increase and more commercial accounts coming online from additional development in the city, led to a \$35,000 increase in trash franchise revenues. A timing difference in the receipt of the quarterly fiber optic antenna system franchise payments has created a positive \$18,000 variance in the current fiscal year.

Approximately 37 percent of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2015.



Recreation Fees (\$2.2 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. The revenue increase is attributable primarily to the Alga Norte Community Park and Aquatic Center (opened in December 2013) which continues to exceed revenue expectations due to the increase in all program offerings as compared to the Monroe Street Pool. Also, an exceptionally warm summer contributed to higher attendance.



Ambulance Fees (\$2.0 million) – The city bills any individual who is transported in one of the city's ambulances. Through March 2015, receipts from ambulance fees are up 17 percent, or \$291,000, higher than last fiscal year at this time. This increase is due mainly to increased transports from our neighboring cities and an increase in services supplied. The number of billable transported patients in the first nine months of Fiscal Year 2014-15 (3,347) versus Fiscal Year 2013-14 (3,074) has increased significantly.



Other Revenue Sources (\$1.6 million) – Other revenue sources have increased by \$880,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior year fees. The primary drivers in the increase in the current fiscal year is the first reimbursement received by the city for damages incurred during the 2014 Poinsettia Fire, the reversal of a large prior period refund that was no longer required, and a developer contribution received to cover the costs associated with an EIR study on the new Westin Hotel and timeshares.



Other Licenses and Permits (\$955,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



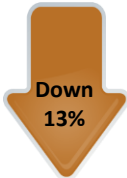
Transfer Taxes (\$725,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand applied to the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased modestly, as the real estate resale market has picked up during the current fiscal year.



Other Charges or Fees (\$695,000) – Other charges and fees are generated through the sale of city documents, such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. An increase in copying charges associated with the November 2014 elections, false alarm responses, fire inspection fees, and mutual aid response revenues from the multitude of fires assisted by Carlsbad firefighters (from both Fiscal Year 2013-14 and 2014-15 fires) have led to this positive variance. The mutual aid response revenues were reimbursement for firefighting efforts associated with the Tomahawk (Camp Pendleton/Fallbrook), the Bernardo, the King (El Dorado County) and the Eiler (Shasta County) fires.



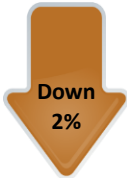
Fines and Forfeitures (\$566,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The small increase to date represents an increase in miscellaneous fines; a direct result from the implementation of a new, automated code enforcement system. This increase was partially offset by a large decrease in parking citations and moving violations during the first nine months of the fiscal year.



Other Intergovernmental Revenues (\$395,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$395,000 received this year are a task force reimbursement from the County of San Diego, federal senior nutrition grants, Police Officer Standard Training (POST) reimbursements, reimbursements for police services, an adult learning grant, a state wildlife movement grant, reimbursement for a state corrections realignment plan (AB109), a Safe San Diego Initiative Community Emergency Response Team Grant, a Community Paramedicine Data Project grant, mandated cost reimbursements from the State of California, Department of Justice vice/narcotics overtime reimbursements, and retroactive police procedural bill of rights mandated costs. Timing differences account for this year's variance.



Homeowners' Exemptions (\$178,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.



Vehicle License Fees (\$45,000) – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

Expenditures

Total General Fund expenditures and encumbrances through the month of March 2015 are \$102.2 million, compared to \$99 million at the same time last year. This leaves \$52.6 million, or 34 percent, available through the fiscal year ending June 30, 2015. If funds were spent in the same proportion as the previous year, the General Fund would have 32.6 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at March 31, 2015 is 30 percent, slightly more than the 28.7 percent available at March 31, 2014.

The adopted General Fund budget for Fiscal Year 2014-15 increased by \$4.9 million due to the following factors:

- Increased personnel costs:
 - \$2.5 million in additional salary costs associated with previously negotiated wage increases as well as the addition of staff to operate and maintain the newest park facility, Alga Norte Community Park and two additional full-time employees
 - \$1.3 million in additional retirement costs due to PERS rate increases and higher salaries
- Increased maintenance and operations costs:
 - \$600,000 general inflationary adjustments
 - \$760,000 expenditure enhancements (Higher Education Goal, contractual increases, Digital Records Management, recruitment services, etc.)
 - \$600,000 for rising utility costs
 - \$2.4 million for “out-of-block” increases (internal service fund charges, election expenses, ambulance collection fees, bank fees, animal control, weed abatement, plan check services, recreation class instructors, land management and street lighting costs)
- Decreased operating transfers out of the General Fund:
 - a one-time \$2 million transfer to the city’s Self Insured Benefits Fund to assist with anticipated future pension rate increases that was made in the previous fiscal year
 - a reduction of \$1.5 million to the city’s General Capital Construction Fund to pay for seven new Village and Barrio revitalization projects that was made in the previous fiscal year

Additional appropriations have been made during the current fiscal year for costs related to the 2014 Poinsettia fires, labor negotiations, and new grants and donations received by the city.

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of March 31, 2015, \$858,275 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$1,500,000		
USES:			
Special Events Grant for the Swami Athletic Association's Carlsbad Grand Prix	(6,998)	07/08/2014	2014-165
Winning Teams Grant for the Carlsbad Softball Association's Dirty Dozen Team	(2,000)	08/14/2014	City Manager
Community Spirit Grant for Carlsbad High School Lancer Day Parade	(1,258)	09/05/2014	City Manager
Special Events Grant for the Fiesta del Barrio Event	(1,500)	09/08/2014	City Manager
Community Spirit Grant for Veterans' Day Remembrance Parade	(110)	09/29/2014	City Manager
Carlsbad Village Double Track Study	(250,000)	11/25/2014	2014-268
Community Spirit Grant for In-Kind Services for the Carlsbad Christmas Bureau	(1,679)	12/01/2014	City Manager
Winning Teams Grant for the La Costa Canyon Pop Warner Football Team	(5,000)	12/04/2014	City Manager
Winning Teams Grant for the Carlsbad Pop Warner Junior Midget Cheer Team	(3,306)	12/04/2014	City Manager
Labor Negotiations	(140,000)	12/09/2014	2014-277
Winning Teams Grant for the Lancer Dancers Varsity Dance Team	(3,682)	12/16/2014	City Manager
Consulting Services for 360-Degree Review of the City Manager	(33,825)	01/26/2015	City Manager
Winning Teams Grant for the La Costa Canyon Pop Warner Cheer Team	(5,000)	01/26/2015	City Manager
Community Spirit Grant for In-Kind Services for Sage Creek High School Hoopcoming Parade	(117)	01/26/2015	City Manager
Unfunded Litigation Expenses	(150,000)	02/17/2015	2015-040
Implementation of the Village Revitalization Partnership Program	(75,000)	03/10/2015	2015-065
Labor Negotiations for Hourly Employees	(63,800)	03/10/2015	2015-059
Exhaust capture and removal system at Fire Station #5	(115,000)	03/24/2015	2015-069
TOTAL USES	<u>(858,275)</u>		
AVAILABLE BALANCE	<u><u>\$641,725</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 03/31/15	ACTUAL FY 2013 AS OF 03/31/14	ACTUAL FY 2014 AS OF 03/31/15	CHANGE FROM YTD 2014 TO YTD 2015	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$32,266,988	\$30,597,470	\$33,158,165	\$2,560,695	8%
SALES TAX	21,864,958	21,669,287	22,873,894	1,204,607	6%
TRANSIENT OCCUPANCY TAX	11,933,770	12,675,417	14,380,874	1,705,457	13%
FRANCHISE TAX	2,301,430	2,263,080	2,383,835	120,755	5%
BUSINESS LICENSE TAX	2,448,665	2,675,014	2,820,200	145,186	5%
TRANSFER TAX	649,774	649,876	724,814	74,938	12%
TOTAL TAXES	71,465,585	70,530,144	76,341,782	5,811,638	8%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	45,923	45,148	(775)	-2%
HOMEOWNERS EXEMPTIONS	178,279	175,798	177,670	1,872	1%
OTHER	382,271	455,665	394,807	(60,858)	-13%
TOTAL INTERGOVERNMENTAL	560,550	677,386	617,625	(59,761)	-9%
LICENSES AND PERMITS					
BUILDING PERMITS	652,973	656,586	732,062	75,476	11%
OTHER LICENSES & PERMITS	524,531	787,312	955,330	168,018	21%
TOTAL LICENSES & PERMITS	1,177,505	1,443,898	1,687,392	243,494	17%
CHARGES FOR SERVICES					
PLANNING FEES	131,686	366,821	704,464	337,643	92%
BUILDING DEPARTMENT FEES	457,854	595,859	576,286	(19,573)	-3%
ENGINEERING FEES	622,430	955,213	673,451	(281,762)	-29%
AMBULANCE FEES	1,712,183	1,722,816	2,014,223	291,407	17%
RECREATION FEES	1,857,221	1,454,774	2,162,395	707,621	49%
OTHER CHARGES OR FEES	401,211	435,584	695,361	259,777	60%
TOTAL CHARGES FOR SERVICES	5,182,586	5,531,067	6,826,180	1,295,113	23%
FINES AND FORFEITURES	495,156	544,517	566,396	21,879	4%
INCOME FROM INVESTMENTS & PROPERTY	1,852,788	2,076,695	2,600,337	523,642	25%
INTERDEPARTMENTAL CHARGES	2,855,172	2,738,996	2,776,491	37,495	1%
OTHER REVENUE SOURCES	849,133	743,770	1,623,643	879,873	118%
TRANSFERS IN	0	0	10,000	10,000	100%
TOTAL GENERAL FUND	\$84,438,475	84,286,473	\$93,049,846	\$8,763,373	10%

(1)

(1) Calculated General Fund revenues are 10.2% above estimates as of March 31, 2015.

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2014-15	AS OF 03/31/15		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$445,705	\$289,869	\$155,836	35.0%
CITY MANAGER	2,051,996	1,427,948	624,048	30.4%
COMMUNITY OUTREACH AND ENGAGEMENT	1,523,055	1,179,539	343,516	22.6%
CITY CLERK	567,234	437,482	129,752	22.9%
CITY ATTORNEY	1,524,111	1,048,813	475,298	31.2%
CITY TREASURER	220,977	149,446	71,531	32.4%
TOTAL POLICY/LEADERSHIP	6,333,078	4,533,097	1,799,981	28.4%
ADMINISTRATIVE SERVICES				
FINANCE	4,927,865	3,176,629	1,751,236	35.5%
HUMAN RESOURCES	3,206,776	2,411,073	795,703	24.8%
RECORDS MANAGEMENT	383,504	206,727	176,777	46.1%
TOTAL INTERNAL SERVICES	8,518,145	5,794,429	2,723,716	32.0%
PUBLIC SAFETY				
POLICE	30,615,063	22,668,399	7,946,664	26.0%
FIRE	19,155,867	14,459,942	4,695,925	24.5%
TOTAL PUBLIC SAFETY	49,770,930	37,128,341	12,642,589	25.4%
COMMUNITY DEVELOPMENT				
COMMUNITY AND ECONOMIC DEVELOPMENT	10,030,284	6,666,512	3,363,772	33.5%
HOUSING AND NEIGHBORHOOD SERVICES	811,794	490,816	320,978	39.5%
TOTAL COMMUNITY DEVELOPMENT	10,842,078	7,157,328	3,684,750	34.0%
COMMUNITY SERVICES				
PARKS AND RECREATION	16,988,503	11,276,569	5,711,934	33.6%
LIBRARY AND ARTS	12,430,619	7,939,325	4,491,294	36.1%
TOTAL COMMUNITY SERVICES	29,419,122	19,215,894	10,203,228	34.7%
PUBLIC WORKS				
PROPERTY AND ENVIRONMENTAL MANAGEMENT	7,873,317	5,620,989	2,252,328	28.6%
TRANSPORTATION	11,762,487	7,742,666	4,019,821	34.2%
STORM DRAIN ENGINEERING	313,060	211,684	101,376	32.4%
TOTAL PUBLIC WORKS	19,948,864	13,575,339	6,373,525	31.9%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	18,973,689	4,430,771	14,542,918	76.6%
TRANSFERS OUT	10,374,202	10,354,574	19,628	0.2%
CONTINGENCY	641,725	0	641,725	100.0%
TOTAL NON-DEPT & CONTINGENCY	29,989,616	14,785,345	15,204,271	50.7%
TOTAL GENERAL FUND	\$154,821,833	\$102,189,773	\$52,632,060	34.0%
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, the 2014 Poinsettia fire, and other items not attributed to a specific department.				
(b) Total committed includes expenditures and encumbrances.				
(c) Amount available would be 32.6% if funds were spent in the same proportion as the previous year.				

Water Enterprise

WATER OPERATIONS FUND					
MARCH 31, 2015					
	BUDGET FY 2014-15	YTD (*) 03/31/2014	YTD (*) 03/31/2015	CHANGE FROM YTD 2013-14 TO YTD 2014-15	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	35,983,920	26,903,711	27,255,529	351,818	1.3%
MISC. SERVICE CHARGES	291,500	216,938	204,121	(12,817)	-5.9%
PROPERTY TAXES	2,874,500	1,773,288	1,927,452	154,164	8.7%
FINES, FORFEITURES & PENALTIES	267,500	248,962	234,339	(14,623)	-5.9%
OTHER REVENUES	494,500	372,444	2,562,051	2,189,607	587.9%
TOTAL OPERATING REVENUE	39,911,920	29,515,343	32,183,492	2,668,149	9.0%
EXPENSES:					
STAFFING	3,530,490	2,348,167	2,456,585	108,418	4.6%
INTERDEPARTMENTAL SERVICES	2,158,847	1,478,858	1,614,651	135,793	9.2%
PURCHASED WATER	18,575,000	13,646,282	13,718,605	72,323	0.5%
MWD/CWA FIXED CHARGES	6,135,000	4,350,138	4,507,173	157,035	3.6%
OUTSIDE SERVICES/MAINTENANCE	1,003,433	467,154	285,081	(182,073)	-39.0%
DEPRECIATION/REPLACEMENT	3,615,000	2,606,250	2,711,250	105,000	4.0%
CAPITAL OUTLAY	1,863	1,729	46,173	44,444	2570.5%
MISCELLANEOUS EXPENSES	2,164,943	1,581,022	1,388,626	(192,396)	-12.2%
TOTAL OPERATING EXPENSES	37,184,576	26,479,600	26,728,144	248,544	0.9%
OPERATING INCOME/(LOSS)	2,727,344	3,035,743	5,455,348	2,419,605	79.7%

(*) Adjusted to reflect timing differences for water purchases and depreciation.

Revenues

- The increase in water delivery revenues is the result of an average 5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2014 and January 2015, offset by a 4 percent decrease in water sales during the first nine months of the fiscal year.
- The bi-annual update of the city's cost allocation plan completed in January 2013 continues to impact miscellaneous service charges and fines, forfeitures and penalties due to a reduction in many of these fees.
- The increase in other revenues is the result of the final reimbursement on the Marbella lawsuit.

Expenses

- For Fiscal Year 2014-15, a total of 1.45 full-time positions have been reallocated to the Water Enterprise from other programs to better reflect each programs' workload. Additionally, in order to sustain market competitiveness as an employer, the Enterprise adjusted employee salary ranges and salaries, creating higher staffing costs for the year.
- Significant increases in vehicle replacement/maintenance, information technology, and general liability charges due to updated internal service chargeback calculations is reflected in the higher interdepartmental charges.
- A 3.6 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) netted with a 3 percent decrease in the amount of water purchased, represent the primary drivers in this variance. The decrease is primarily attributable to water conservation measures and a routine water shutdown by the SDCWA for annual maintenance.
- Decreases in the meter replacement program and miscellaneous professional services for the desalinization pipeline plan review are the primary drivers in lower outside services/maintenance.

Outlook

The operating results for the Enterprise currently reflect a year-to-date gain of \$5.46 million. Higher water revenues due to a rate increase and the final reimbursement on the Marbella lawsuit, coupled with lower than anticipated expenses have led to the gain for the year. Based on activity to date, it is projected that the Enterprise will have a surplus between \$3 and \$4 million by the end of the fiscal year.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND MARCH 31, 2015					
	BUDGET FY 2014-15	YTD (*) 03/31/2014	YTD (*) 03/31/2015	CHANGE FROM YTD 2013-14 TO YTD 2014-15	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	11,735,000	9,122,543	9,295,240	172,697	1.9%
INTEREST	12,000	22,598	32,278	9,680	42.8%
OTHER REVENUES	305,000	267,694	229,412	(38,282)	-14.3%
TOTAL OPERATING REVENUE	12,052,000	9,412,835	9,556,930	144,095	1.5%
EXPENSES:					
STAFFING	2,185,019	1,491,120	1,473,768	(17,352)	-1.2%
INTERDEPARTMENTAL SERVICES	1,180,958	828,223	891,250	63,027	7.6%
ENCINA PLANT SERVICES	3,344,781	2,315,892	2,323,797	7,905	0.3%
OUTSIDE SERVICES/MAINTENANCE	762,464	214,157	266,767	52,610	24.6%
DEPRECIATION/REPLACEMENT	4,550,000	2,687,250	3,412,500	725,250	27.0%
CAPITAL OUTLAY	0	0	16,303	16,303	100.0%
MISCELLANEOUS EXPENSES	636,202	299,989	377,045	77,056	25.7%
TOTAL OPERATING EXPENSES	12,659,424	7,836,631	8,761,430	924,799	11.8%
OPERATING INCOME/LOSS	(607,424)	1,576,204	795,500	(780,704)	-49.5%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues

- The increase in charges for current services is primarily the result of an additional 2,007 new residential account fees over the past 12 months, as well as a 2 percent rate increase that went into effect in January 2015.
- Interest revenue is the combination of interest earnings on the cash balance in the fund as well as earnings on the debt service reserve. Cash balances in the fund have increased from last year by 39.5 percent impacting interest earnings for the year.
- The decrease in other revenues is the combination of decreases in miscellaneous reimbursed expenses and engineering labor.

Expenses

- For Fiscal Year 2014-15, a total of 0.65 full-time positions have been reallocated from the Wastewater Enterprise to other programs to better reflect each programs' workload.
- Increased interdepartmental charges are the result of updated internal service chargeback calculations.
- Encina plant services to date are a combination of actual billings and an estimate of the annual Encina expenses prorated on a monthly basis.
- Large expenses associated with wastewater flow monitoring and sewer manhole rehabilitation account for the variance in outside services/maintenance.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Higher electric costs is the largest factor in the increase in miscellaneous expenses.

Outlook

The operating results for the Enterprise currently reflect a year-to-date net income of \$795,500. Based on activity to date, it is anticipated that the Enterprise will end the year with operating income over operating expenses between \$500,000 and \$1 million. This is due to projected higher revenues in the second half of the fiscal year from a 2 percent rate increase that went into effect January 2015 as well as projected lower than budgeted expenses.